

novgorod, Samara, all around the country, the fourth principal: Deny Moscow-based institutions any additional funds where we know they have abused IMF World Bank and U.S. dollars. If we know a bank is corrupt, hard and fast rule, they get no more money. And in fact let us go after those perpetrators and try to collect the money they abused.

Number five, reform International Monetary Fund. This was a recommendation that I got after talking to George Soros in his office in New York to convene a blue ribbon task force that the IMF would then listen to that would tell it how to be responsive and make reforms to be more accountable to emerging economies like Russia.

Number six, and boy is this significant to put the horse in front of the cart. Reforms would precede and not follow. Resources. No reforms, no money. You make the reforms you have asked for, and then we will provide the resources you need, but no money until you do the reforms.

Number seven, have a 90-day plan to establish a relationship between CEOs of American companies and Russian enterprises, a one-on-one relationship so they can learn how we develop profits in America to make their companies more profitable in Russia, to learn how to motivate workers, how to manage their costs.

And the last item: To bring 15,000 young Russian students to America, undergraduate and graduate, have them attend our business, economic and finance schools all across the country, pay their way over, and get our schools to give them an education with the understanding they must go back to Russia to live. They cannot stay in America, in effect creating a new generation, the next generation of Russia's free market leaders.

Mr. Speaker, the Duma agreed to all eight principles, all eight principles. They said, "We'll do the reforms if you tell us that you're going to let us march to where the money's gone. If you let us have a say, if the regions are recognized, we'll do it," and they passed it.

It came back to Washington, and I went to Speaker Gingrich. Speaker Gingrich said, "Well, Curt, I don't know whether we want to do this, that is the administration's prerogative. Let me talk to the White House."

The White House said, "We don't need those guidelines. We don't need those principles."

The eight principles in their entirety are as follows:

JOINT STATEMENT OF PRINCIPLES GOVERNING
WESTERN AND IFI ASSISTANCE TO RUSSIA

(Draft Prepared by Congressman Curt
Weldon)

- (1) *Focus Western resources on programs—like housing—that will develop a Russian middle class*

Funds flowing from Western governments and International Financial Institutions (IFI) should be directed to segments of the

Russian economy where they will help develop a broad Russia middle class, who will in turn have an economic stake in democratic institutions and greater economic reform. One such sector is housing, where there is an overwhelming need for greater investment and the Russian people face tremendous shortages. A major impediment to a robust housing market is that all but the most wealthy Russians lack a mechanism to finance the purchase of a home. Development of a mortgage finance system, with longer term loans (20 to 30 years) and reasonable interest rates, would greatly strengthen the Russian economy, increasing employment, tax revenues, and economic and political stability.

- (2) *Make Western resources available to reform minded regional governments*

Some significant portion of the funds from Western governments and IFIs should flow from the Russian central government to the Oblasts and Krai, which are the source of most of the economic reforms occurring in Russia. Tax reform, privatization, land reform are all areas where the regions have accomplished far more than the central government in Moscow. In determining the flow of these resources to the regions, priority should be given to those regions that have and are implementing the strongest reform programs. The criteria for evaluating the effectiveness of regional economic reform programs should be clearly identified, which will assure all regions that they are being treated equitably and provide the necessary incentives for regions to implement viable economic reform agendas.

- (3) *Deny corrupt Moscow-based financial institutions access to Western resources*

Greater steps must be taken to ensure accountability for previous and future resources provided by Western governments and IFIs. The simple notion that any bank, government agency, regional government, or NGO that cannot account for previously supplied funding should be ineligible for future funds must be strictly enforced. This will have the practical effect of preventing the large, corrupt Moscow based banks from accessing future IFI resources.

- (4) *Establish a joint Russian—U.S. legislative oversight commission to monitor Western resources*

Opposition to further assistance from IFIs run strong in both the U.S. Congress and the Russian Duma. One way to counter this tendency and promote a stronger Duma is to create a joint Russian-U.S. Legislative Oversight Commission, composed of Members of Congress and Duma Deputies and staffed by experts in both legislatures, to monitor the use of Western government and IFI funding to ensure that the designated end recipient, not only receives the resources but uses them for the intended purposes.

- (5) *Reform the International Monetary Fund (IMF)*

Both the Congress and Duma should urge the International Monetary Fund to establish an International Blue Ribbon Commission composed of the most prominent financial experts to make recommendations for reforming the IMF to achieve greater transparency and more effective programs with less financial risk. If the IMF is unwilling to create such a commission, then the Congress and Duma should consider creating its own commission of experts and then press the IMF to implement the recommendations.

- (6) *Put the horse in front of the cart: make reforms precede—not follow—resources*

In all too many cases, resources from IFIs come first and promised reforms come much later, if at all. It is time to make reform pre-

cede—not follow—important economic reforms at the national and regional levels. The Yeltsin administration, the Duma, and the financial oligarches have every incentive to promise reform prior to receiving financial assistance, but they have very little incentive to make good on the promises of reform, which in the short term are often difficult for the government to implement and painful for the Russian citizens to endure.

- (7) *Jointly develop a 90 Day Action Plan to reform de facto bankrupt industrial giants*

Working the Congress and the Duma, the Administrations should empanel a group of international financial experts and give them 90 days to develop a comprehensive program to reform, privatize, or shutter the industrial behemoths that are essentially bankrupt and uncompetitive in a market economy but are kept limping along by subsidies because of local political imperatives and the fact that in many areas they represent the only source of employment. Many formerly state owned enterprises (for example—food processing plants, breweries, and confectionary enterprises) have made successful transitions which make products without government subsidies that compete with imported items—clear evidence that Russian enterprises can be competitive.

- (8) *Western government and IFI resources should go to civilian agencies and programs—not to prop up the Russian military industrial complex*

Nothing could do more to endanger U.S.-Russian cooperation, especially in the eyes of the Republican Congress, than using funding from Western governments and IFIs to prop up the ailing military and military-industrial complex. Both the Administrations and the legislatures need to make sure that proper controls are put in place to prevent such an eventuality.

STATE DUMA

Commission of the State Duma for Monitoring of the Preparation and Realization of the Joint Program of the State Duma of the Federal Assembly of the Russian Federation and the Congress of the United States of America on Housing Construction in Russia "A Home for Our Family."

To the Deputies of the State Duma.
Federal Assembly.
Russian Federation.

From SD RF Deputy V.E. Tsoy.

From Member of the House of Representatives of the U.S. Congress Curt Weldon.

DEAR COLLEAGUES: The complicated socio-economic and political situation in which the population of Russia finds itself, allows us to address you with the following suggestions:

1. *Concentrate Western resources on programs such as mortgage credit and housing construction, which will enable the development of a middle class in Russia.*

Funds flowing from the U.S.A. and international financial institutions should be directed at those segments of the Russian economy which will enable broad development of a Russian middle class, which, in its turn, will have an economic interest in the existence of democratic institutions and the realization of more carefully thought out economic reforms in Russia. One such sector is housing, where larger investment is needed and where the population is confronted with an absence of additional sources of financing. The main obstacle in the path to a healthy housing market is that, for all but the most well-to-do Russians, there is no mechanism for financing the purchase of a home. Creation of a mortgage finance system with longer term loans (20-30 years) and reasonable interest rates would considerably